Central Alberta Well Services Corp. 2007 ANNUAL REPORT

CENTRAL ALBERTA WELL SERVICES CORP.

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The Annual and Special Meeting of the shareholders of Central Alberta Well Services Corp. will be held on Wednesday, May 28, 2008 in the penthouse suite of The Fairmont Palliser Hotel, 133 – 9th Avenue SW, Calgary, Alberta at 10:00 am. Shareholders are encouraged to attend and those unable to do so are requested to complete and submit their Instrument of Proxy at their earliest convenience.

People-driven Progress

As a company grounded in values of hard-work, professional integrity, and a commitment to being a first-choice, premium service provider, CWC can attribute much of its exceptional growth to the quality of its people. Our people drive our progress, and as such we consider our collective success the direct result of the passion, commitment, and pride exhibited by each and every individual member of the CWC team.

Message from the President

In an increasingly volatile and competitive marketplace, Central Alberta Well Services Corp. (CWC) prides itself on empowering "People-driven Progress".

We know that having and keeping great people is essential to propelling continued success for our organization, and to ensuring longevity for the Company as a whole. As a testament to our sustained growth and attractiveness as an employer of choice, our employee base grew from 220 employees to 340 in 2007 alone – an increase of 318 people since the beginning of 2006.

Year in review

CWC began the year with the goal of continued expansion in the well servicing division and a focus on diversifying our product lines to better position the Company for anticipated volatility in the industry.

With an operational focus on maintaining utilization levels and bottom line performance through a reduction in redundancies, CWC kicked off the first quarter of 2007 with the amalgamation of all organizational subsidiaries in order to better capitalize on our strong management team and better market our synergized services.

Performance and growth

Creating the conditions for sustained success and continued growth requires striking a balance between investment in people, infrastructure, and innovation. In addition to growing our employee base by nearly 65 per cent, CWC continued to meet growing production and utilization demand and deployed newly manufactured, state-of-the art equipment within core divisions, increasing our fleet size by 35 per cent in the process.

CWC exited 2007 with 25 service rigs, eight coil tubing units, seven snubbing units, 14 nitrogen pumpers and delivery units, 12 well testing units, and a fleet of oilfield rental products.

As a Company committed to leveraging cutting-edge technology to enhance organizational capability and efficiency, CWC proudly introduced to the market three new 5,000-metre compact service rigs, and two new state of the art designed thirty-five MPA stand-alone snubbing units. These new units are the first of their kind introduced to the industry and have been immediately recognized as a cost savings alternative for completion and work-over requirements. These units also have year round utilization capability.

2007's fluctuating commodity prices and resulting activity allowed CWC to realize the full strength of its operations management team and leverage its collective experience and character to create a solid strategic and operational footing for continued future growth.

Despite lower utilization in the industry as a whole, CWC revenues increased by 20 per cent (as a year-over-year comparison). The financial performance posted during the year came primarily from the expansion of the Company's core service rig division, and recognition from our customers that cross-selling initiatives put forth by management were welcome opportunities. The Company's full-service clientele increased by 300 per cent and continues to be recognized as an opportunity to reduce costs in production, safety, and site management.

CWC recognized the need to better prepare and position itself financially and strategically to capitalize on opportunities that arise in a volatile market. As such, CWC strengthened its capital structure with the investment by a strong financial sponsor who supports the growth incentives of the Company's management team. The senior management group focused on evaluating accretive opportunities and growth strategies throughout the year, and in December the Company entered into an agreement to acquire all of the assets and business operations of Wellco Energy Services service rig division – further increasing CWC's service capacity and geographical footprint.

Safety

The strategic path our Company has taken requires a management team focused on safety, meticulous attention to our people, maintenance of our equipment, care of our customers, and bottom line performance for our shareholders.

Safety is an integral value shared by every employee and director within CWC. As part of our ongoing commitment to employee safety and well-being, 2007 featured the setting of achievable workplace safety goals and operating efficiencies of our services. During the year, CWC focused on the development of an experienced safety management support team dedicated to the development of policies, procedures, training, and understanding of the true meaning of safety. CWC is committed to making every appropriate resource available to ensure that each and every employee makes it safely to and from the work place each and every day and enjoys as safe an environment as possible while at work.

Looking forward

With continued emphasis on organizational development and increased operational diversity, CWC will use the coming year to further leverage the experience and capability of its team to create and capitalize on market opportunity.

Driven by our core well-servicing division, the Company will continue to deploy newly manufactured equipment to meet the demands of the current service agreements as well as the long term commitments of our clientele. The company has taken delivery of four new 1,500-metre single service rigs in the first quarter and the first newly designed state of the art 1,500-metre slant service rig early in the second quarter of 2008.

Closing of the Wellco transaction occurred on January 7th, 2008, and as such our Company begins the year with the addition of nine, 1,500-metre single service rigs and an operating center in Brooks, Alberta, enhancing our collective service abilities and contributing to achieving our 2008 growth targets.

CWC exited the first quarter of 2008 with its' core division "well servicing" by increasing its' service rig fleet size by 90 per cent as compared to the average service rig fleet size of 2007.

Additionally, the Company will continue to evaluate emergent accretive opportunities to expand on our current service lines and increase diversity within our operations.

In conclusion

We firmly believe that CWC is well positioned to capitalize on emergent opportunities as the service sector continues to see potential consolidation over the coming year. We leave 2007 as a strong Company, proud of the results we've achieved, the teams we've built, and the growth we've enjoyed. Our progress is truly driven by a dedicated and strong employee base, guided confidently by a well-assembled management team with the technical experience, vision, and strategic ability to continue to grow the Company well into the future. We remain committed to growth, and with the support of an experienced Board of Directors, strong shareholder base, and accomplished management, we look forward to another successful year in 2008.

Respectively Submitted

Darryl Wilson
President and Chief Executive Officer


BOP
HYDRAULIC OIL

Central Alberta Well Services Corp. "CWC" or the "Company" is an oilfield services company taking the lead in the innovative delivery of a complete range of oil and gas services. Out of the corporate office in Calgary, Alberta, a head operations centre in Red Deer, Alberta, and strategic regional operations throughout the province, CWC's comprehensive line of services meets the well servicing needs of exploration and development companies across the Western Canadian Sedimentary Basin (WCSB).

Backed by years of industry experience and expertise, CWC boasts the most state of the art, cost efficient and safety oriented technologies available. It operates a fleet of advanced service and completion products with capacities rated from 1,500 to 5,000 metres, each designed with employee safety, customer economics and investor profitability in mind.

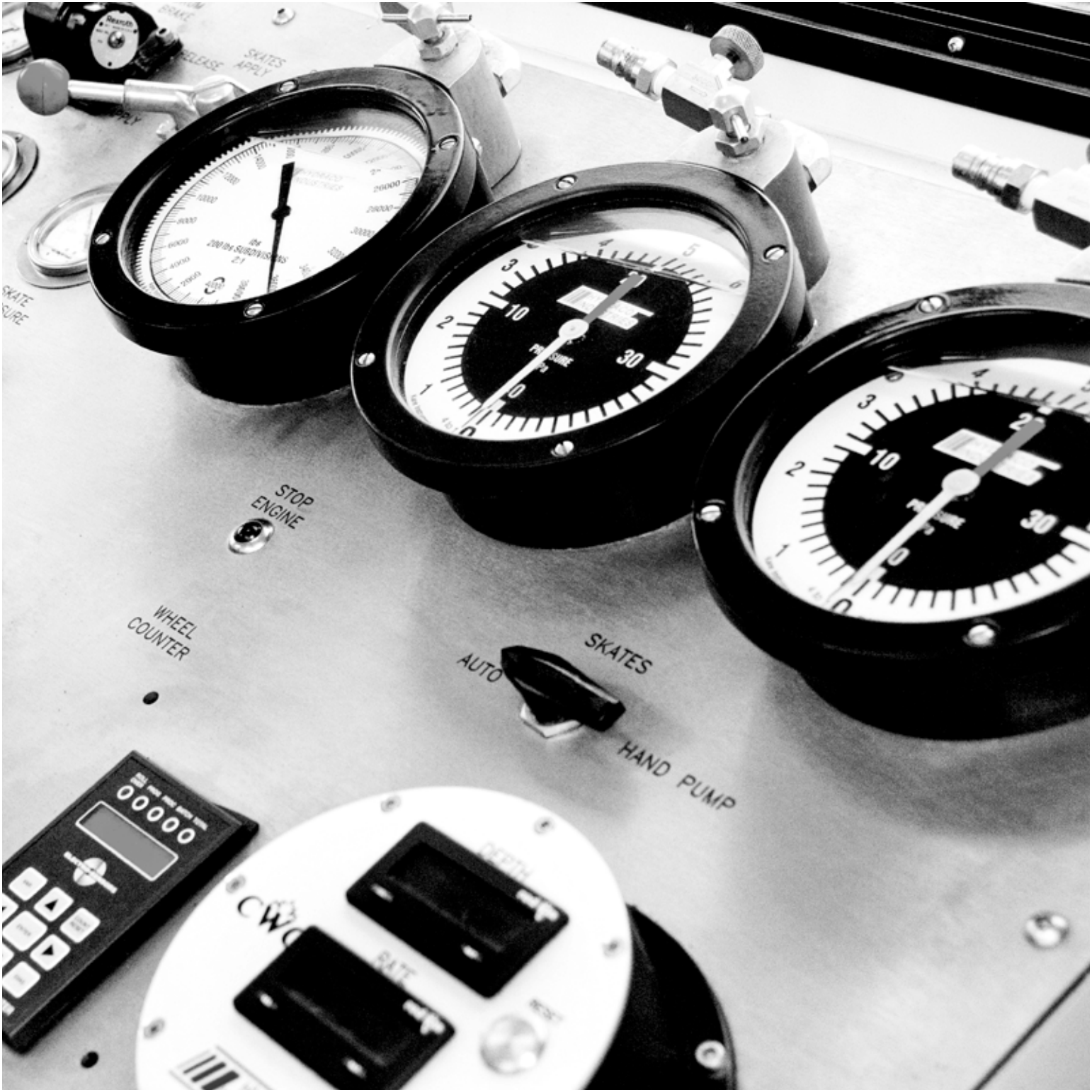
CWC's growing team is supported by a core management group that has worked together as a complete team in the well service business for more than 25 years – paying meticulous attention to customers, people and equipment while maintaining focus on bottom line performance for shareholders.

Since becoming a public company in September of 2005, CWC has deployed new oilfield equipment, added complimentary ancillary services that strongly support its service rig operations, accelerated growth plans through accretive acquisitions and expanded the scope of its operations to encompass strategic locations across the WCSB. Built on a wealth of experience and a growing track record of success, CWC moves forward with a commitment to service, innovation and growth.

Central Alberta Well Services Corp. trades under the symbol "CWC.A" on the TSX Venture Exchange.

Our Operations

CWC remains committed to creating the conditions for sustained success. By equipping our organization with the strategies, infrastructure, and people necessary to handle both market challenges and emergent opportunities, we are empowering continued positive performance and operational strength. With a sound financial footing and a strong management team, CWC is well positioned to succeed today, and well into the future.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Calgary Operations

CWC's senior management and corporate marketing team operate out of a 1,600 sq. ft. facility located in the heart of downtown Calgary, at Suite 2325, 330 - 5th Avenue S.W. With more than 3,000 oil and gas producers making downtown Calgary their corporate head office home, CWC's corporate office location is ideal for facilitating contact with companies requiring its complimentary suite of services.

Red Deer Operations

CWC's major central Alberta operations and head office are located in Red Deer, Alberta. These operations include two buildings with 40,000 sq. ft. of leased spaced and a 20-acre field facility. All CWC operating divisions are housed at these locations, including finance, human resources, health and safety, environmental and technical support.

Provost Operations

CWC's second major facility is strategically located in Provost, Alberta. This facility boasts a 24,000 sq. ft. building on 10-acres of land. The Provost team serves the eastern portion of the Sedimentary Basin, providing operational support for active rigs operating in the heavy oil fields extending from north of Bonneville, Alberta, throughout the east central portion of the WCSB. This location also provides services to energy clients along the western border of Saskatchewan.

Brooks Operations

CWC purchased the service rig assets from Wellco Energy Services Inc. on January 7, 2008. CWC now operates its third major service division from a facility in Brooks, Alberta. This facility includes 12,750 sq. ft. of leased space situated on 5-acres. The Brooks' operation provides a strategic southern location from which CWC can provide combined services to customers located in and around southeastern Alberta, and also gives CWC a province-wide service base.

Whitecourt Operations

Opened in 2006 as part of the strategic growth plan, CWC's Whitecourt, Alberta, operation was established to market nitrogen pumping and delivery services in northern Alberta. This site will be expanded in the future to include the full CWC service suite and will be additionally used to expand CWC's geographic reach into northern Alberta and the Peace River Arch.

Operational Management

While CWC is a relatively new company, its management group has been working together as a complete team in the well services industry for more than 25 years. Established in 1968, the core CWC team had previously managed a private oilfield service group that later grew to become the largest private oilfield servicing company in North America. Leveraging their extensive collective experience, CWC's management team has built the industry recognition and trust necessary to obtain contracts from exploration and production companies and attract and retain skilled personnel in a very tight labor market. With this kind of experience CWC is more appropriately characterized as the reemergence of a successful oilfield services team than the commencement of a new operation. The extensive industry experience of CWC's operational management team has continually enabled the organization to successfully carry out the coordination and delivery of complimentary services to its loyal customer-base.


CWC
05-644-7977
CWC

INVESTING IN PEOPLE

CWC employees are the heart and soul of the Company. In empowering people-driven progress for the organization as a whole, management is committed to making CWC a top employer. Compensation and benefit programs are structured to be among the best in the industry, and CWC is committed to providing every resource available for employee training in each vocation within the Company.

SYNERGIZED SERVICES

CWC's service delivery model utilizes service rigs as the core service offering with a complementary range of support services around that core. CWC can provide up to 80 per cent of the well-site completion and workover requirements of its oil and gas customer base. This comprehensive service delivery approach greatly reduces the complexities facing resource producers by allowing them to outsource the coordination of most of their well-site services through one service provider.

Once a drilling rig has finished drilling to the required depth – or when a customer wants to enhance the resource recovery of a currently producing well – an experienced CWC field crew can then move in with a fleet of new equipment. The service rig is the core component of this program and is on site for the longest period of time. Depending on the demands of the well-site other divisions are called in to support the well servicing operation as necessary.

Well Servicing

CWC's well services include completions, workovers and remedial recovery production, along with maintenance, heavy oil, critical sour, horizontal and re-entry drilling with depths ranging from 1,500 to 5,000 metres. These services have been specifically designed for producers operating in the Western Canadian Sedimentary Basin. Rigs and related equipment are built to work from the southeast oilfields of Saskatchewan to the northwest gas fields at Fort Nelson, British Columbia. The equipment is not only designed for quick, compact set-up and low maintenance, but also to ensure optimal performance given to the area's weather and geographical conditions.

Snubbing and Stripping

CWC provides snubbing and stripping operations to create additional efficiencies and stronger performance for operators working in fluid-sensitive formations, under-pressured reservoirs, naturally-fractured reservoirs, and low-permeability sandstone reservoirs. In these kinds of formations and reservoirs, snubbing and stripping create a continuous, pressure controlled environment and improve the completion of workovers, wireline operations and under-balanced drilling. These services allow production to continue during service work, increasing well production rates and recoverable reserves, and reducing drilling and completion costs.

Coil Tubing

CWC provides coil tubing services for workover operations, shallow drill-outs and extensions into producing zones. After stimulation treatment, coiled tubing is used to clean out the well, eliminating the need for swabbing or pulling the production string. Coil tubing not only speeds up the process of getting in and out of a well, but also allows work to be completed on the well during production. CWC's coil tubing units mainly operate in the CBM fields, working closely with the nitrogen pumping and well service divisions. They have a depth rating of up to 3,200 metres.

Nitrogen Pumping

CWC's nitrogen pumping units offer a heat recovery nitrogen system used in many of the services provided by CWC. As a non-corrosive and non-explosive inert gas, nitrogen is used instead of air whenever a risk hazard exists. It is ideal for purging pipelines, pressure testing vessels, and facilitating the withdrawal of stored liquids from vessels. The nitrogen pumpers work in conjunction with CWC's coil tubing, well servicing, and snubbing divisions.

Well Testing

CWC's well testing and pressure control systems are used throughout completion and workover programs. They are an essential component of the operations CWC performs.

Equipment Rentals

To provide oil and gas operators with a compete service offering, CWC has a full range of specialized equipment for rent including well-site trailers, portable light towers, boilers, rig matting, and tubing racks.

TECHNOLOGICAL ADVANCEMENTS

By investing a vast amount of time and resources into engineering and designing new components for its service divisions, CWC is able to offer a superior service fleet that utilizes the most advanced technologies. With designs that maximize capabilities and safety while also minimizing weight, CWC offers its energy clients problem-free services that improve operating performance and cost efficiency. CWC's equipment fleet also utilizes standardized components; providing operating advantages such as lower maintenance costs and reduced parts and replacement component inventories.

FUTURE GROWTH

Going forward, CWC is committed to the Company's original business plan and intends to capitalize on the growth opportunities that have been developed with its customers. CWC will continue to increase the size of its fleet as well as evaluate complimentary services as the opportunities are presented in 2008, while mitigating market risks by further establishing and servicing long-term commitments from our customers.

CWC also is focused on the further integration of its service offering. With the unique ability to market a complete range of well services, CWC will continue to aggressively cross-market to an expanded customer base. Accretive acquisitions also will provide our clients with expanded lines of complementary services. CWC's ultimate goal is to drive internal growth to better take advantage of the high level of exploration and development activities taking place in the industry, and to enhance bottom-line performance for all stakeholders.

The following is management's discussion and analysis ("MD&A") of Central Alberta Well Services Corp.'s ("CWC" or the "Company") audited operating and financial results for the year ended December 31, 2007. This MD&A should be read in conjunction with CWC's audited financial statements for the year ended December 31, 2007. Additional information with respect to the Company can be found on the Company's website at www.cawsc.com or on SEDAR at www.sedar.com. The information provided in this MD&A is current as of March 25, 2008.

This discussion should not be considered all-inclusive, as it excludes changes that may occur in general economic, political and environmental conditions.

Certain statements contained in this MD&A, including statements which may contain such word as "could", "should", "believe", "expect", "will", and similar expressions and statements relating to matters that are not historical facts are forward-looking statements including, but not limited to, statements as to: future capital expenditures, including the amount and nature thereof; business strategy; expansion and growth of the Company's business and operations; and other matters.

Management has made certain assumptions and analyses which reflect their experiences and knowledge in the industry. These assumptions and analyses are believed to be accurate and truthful at the time but the Company can not assure readers that actual results will be consistent with these forward looking statements.

However, whether actual results, performance, or achievements will conform to the Company's expectations and predictions is subject to known and unknown risks and uncertainties which could cause actual results to differ materially from the Company's expectations.

All forward looking statements made in the MD&A are qualified by these cautionary statements and there can be no assurance that the actual results or developments anticipated by the Company will be realized or, even if substantially realized that they will have the expected outcomes to or effects on the Company or its business operations. The Company does not intend, and does not assume any obligation, to update these forward-looking statements. Any forward looking statements made previously may be inaccurate now.

Corporate Development

Through 2007 the Company focused on growing the size of the operating fleet by manufacturing key pieces of equipment. During the year the Company introduced two coil tubing units, four single service rigs, two mobile double service rigs, three skidded double service rigs, one nitrogen unit and two snubbing units, including one 5K stand-alone unit. In all, the Company invested just over $37 million in operating assets through 2007.

The Company is headquartered in Red Deer, Alberta, providing well services to oil and gas exploration and development companies operating in Western Canada.

Highlights

	THREE MONTHS ENDED DECEMBER 31		TWELVE MONTHS ENDED DECEMBER 31	
	2007	2006	2007	2006
Revenues	$ 12,574,392	$ 13,941,627	$ 47,350,780	$ 39,797,325
Operating costs	8,627,205	8,899,058	31,654,965	24,216,495
	3,947,187	5,042,569	15,695,815	15,580,830
	31.4%	36.2%	33.1%	39.2%
General and administrative expenses	1,901,413	1,808,998	6,788,890	5,489,138
Bad debt	–	195,917	–	195,917
EBITDAS (1)	2,045,774	3,037,654	8,906,925	9,895,775
EBITDAS per share (1)				
Basic and diluted	0.09	0.32	0.40	1.03
Stock based compensation	70,463	270,793	1,327,580	1,536,800
Interest	866,051	1,104,121	5,374,958	2,645,780
(Gain)/Loss on disposal	6,440	–	–	–
Impairment of goodwill	–	10,907,667	–	10,907,667
Depreciation and amortization	2,642,953	2,673,315	9,588,335	7,273,309
Net income (loss) before tax	(1,540,131)	(11,918,242)	(7,383,948)	(12,467,781)
Cash from operations	3,433,191	(3,816,467)	8,649,905	357,417
Less: Changes in non-cash working capital	2,063,365	(6,301,545)	3,977,395	(7,358,909)
Funds from operations (2)	$ 1,369,826	$ 2,485,078	$ 4,672,510	$ 7,716,326
Funds from operations per share (2)				
Basic and diluted	$ 0.06	$ 0.26	$ 0.21	$ 0.80
Income (loss) per share				
Basic and diluted	$ 0.00	$ (1.17)	$ (0.24)	$ (1.25)
Purchase of property and equipment	$ 12,154,205	$ 5,152,624	$ 37,051,821	$ 40,967,537

(1) **EBITDAS** is calculated from the statement of loss as revenue less operating costs and general and administrative expenses, exclusive of stock based compensation costs, and is used to assist management and investors in assessing the Company's ability to generate cash from operations. EBITDAS is a non-GAAP measure and does not have any standardized meaning prescribed by GAAP and may not be comparable to similar measures provided by other companies. Number of shares outstanding is post consolidation of common shares described in note 13 of the financial statements.

(2) **Funds from operations** is defined as cash from operating activities before changes in non-cash working capital. Funds from operations and funds from operations per share are measures that provide investors additional information regarding the Company's liquidity and its ability to generate funds to finance its operations. Funds from operations and Funds from operations per share do not have any standardized meaning prescribed by GAAP and may not be comparable to similar measures provided by other companies. Number of shares outstanding is post consolidation of common shares described in note 13 of the financial statements.

For the quarter ending December 31, 2007 the Company generated $12.6 million in revenue and a loss before tax of $1.5 million compared to 2006 revenues of $13.9 million and a loss of $11.9 million before tax. The year ended with $47 million in revenue and a net loss of $5.0 million compared to 2006 revenues of $39.8 million with a net loss of $12.0 million before tax.

Utilization for quarter four and the year for Well Servicing was 59% (12,687 hours) and 59% (44,339 hours), respectively. Utilization for the Other Oilfield Services segment in quarter four and for the year was 32% and 36%, respectively. Utilizations in the Other Oilfield Services segment are based on the number of jobs performed in the period.

Through 2007, the Company continued to add service rigs and related equipment to the fleet through fabrication of new equipment. It was anticipated that the final build program would finish at the end of the fourth quarter or early into the first quarter of 2008. The Company took possession of four service rigs in quarter four. Two more service rigs were delivered in early January and the final rig is anticipated to be completed by the end of March, 2008.

	THREE MONTHS ENDED DECEMBER 31		TWELVE MONTHS ENDED DECEMBER 31	
WELL SERVICING	2007	2006	2007	2006
Revenues	$ 8,854,701	$ 7,984,635	$ 30,229,203	$ 23,257,108
Income (loss) before income taxes	758,303	846,780	3,251,101	3,450,868
EBITDAS [1]	2,502,770	2,215,713	9,259,981	8,077,327

	THREE MONTHS ENDED DECEMBER 31		TWELVE MONTHS ENDED DECEMBER 31	
OTHER OILFIELD SERVICES	2007	2006	2007	2006
Revenues	3,719,692	5,956,992	17,121,577	16,540,217
Income before income taxes	(631,899)	(10,014,387)	(1,219,178)	(8,710,495)
EBITDAS [1]	209,959	1,088,426	2,141,262	3,695,404

(1) **EBITDAS** is calculated from the statement of loss as revenue less operating costs and general and administrative expenses, exclusive of stock based compensation costs, and is used to assist management and investors in assessing the Company's ability to generate cash from operations. EBITDAS is a non-GAAP measure and does not have any standardized meaning prescribed by GAAP and may not be comparable to similar measures provided by other companies.

Operational Overview

CWC operates from four facilities; two in Red Deer, one in Provost and a satellite branch in Whitecourt, Alberta. The Company provides well services to oil and gas exploration and development companies operating in the Western Canadian Sedimentary Basin (WCSB) including completions, work-over and abandonment, well maintenance, high pressure and critical sour gas well work, re-entry preparation and re-entry drilling and coal bed methane work-overs and completions.

The Company has focused on developing its core business of providing service rigs to customers in the WCSB while at the same time developing a number of support services which are also required by its customers. The Company continued to fabricate equipment through the end of 2007 with the final part of the capital build program being completed in the first quarter of 2008.

As a result of this expansion the Company now operates the following fleet of equipment within the WCSB:

	2007				2006
	DECEMBER 31	SEPTEMBER 30	JUNE 30	MARCH 31	DECEMBER 31
Units operating at end of period					
Service rigs	25	21	19	18	16
Coil units	8	8	8	8	7
Snubbing units	7	7	7	7	5
Nitrogen tankers & pumpers	14	14	13	13	11
Pressure tanks	12	12	12	12	12

The Company continues to follow its business plan of operating an equipment fleet which utilizes similar components throughout all units in order to minimize the amount of spare equipment that must be carried as well as the level of inventory that must be held to service the equipment. The Company's commitment to building a modern fleet with leading edge technology continues to stand out in an industry characterized by an ageing equipment infrastructure.

Significant Agreements

The Company continued to fabricate service rigs through a supply agreement that has been in place since 2005. For the last service rigs being fabricated some of the support equipment was completed outside of this agreement on more favorable terms to the Company.

Selected Financial Information

2007 THREE MONTHS ENDING	DECEMBER 31	SEPTEMBER 30	JUNE 30	MARCH 31
Revenues	$ 12,574,392	$ 11,913,026	$ 5,965,572	$ 16,897,789
Net income (loss)	5,367	(783,556)	(4,309,637)	(253,686)
Earnings/(Loss) per share*	0.00	(0.03)	(0.19)	(0.02)
Weighted average Class A common shares	22,533,392	22,663,459	14,426,805	10,468,318
Weighted average Class B common shares	5,747,901	5,653,531	6,772,018	
Total assets	118,465,317	110,762,466	107,107,035	106,675,393
Long-term debt	29,453,660	20,374,723	15,498,793	58,134,623
Purchase of property and equipment	$ 12,154,205	$ 5,550,611	$ 6,769,800	$ 12,577,205

2006 THREE MONTHS ENDING	DECEMBER 31	SEPTEMBER 30	JUNE 30	MARCH 31
Revenues	$ 13,941,627	$ 13,289,105	$ 7,635,119	$ 4,931,474
Net income (loss)	(11,506,480)	182,751	(761,609)	103,090
Earnings/(Loss) per share*	(1.20)	0.02	(0.07)	0
Weighted average Class A common shares	10,436,720	10,429,558	10,429,531	7,114,394
Weighted average Class B common shares				
Total assets	94,798,411	109,106,735	91,475,091	81,371,149
Long-term debt	16,523,834	16,937,611	17,182,610	14,040,639
Purchase of property and equipment	$ 5,152,624	$ 6,476,954	$ 20,075,689	$ 9,262,272

* EPS and weighted average common shares has been restated for prior periods taking into account the on a 1:4 basis as consolidation of shares outlined in note 8 of the financial statements.

The quarterly results of operations have been provided for the four quarters of 2007 and the comparable four quarters of 2006. The large net loss in quarter four of 2006 is the result of the impairment of goodwill which was recorded at December 31, 2006. The total amount of this impairment was $10.7 million net of tax adjustments. This impairment is also responsible for the decrease in total assets from $109.1 million to $94.8 million from quarter three to quarter four, respectively.

Capital expenditures include assets under construction at the end of each of the quarters presented. Assets under construction are not depreciated until they are available for use.

2007 – A Year in Review

General and administrative expenditures for 2007 were 14% of revenue, consistent with 2006. This percentage remains high compared to others in the industry as the Company is still in a growth phase. Management believes that the level of general and administrative is appropriate considering the asset base the Company will operate through 2008.

PERIOD ENDING DECEMBER 31	TWELVE MONTHS ENDED 2007	2006
Wages and benefits	$ 3,543,554	$ 2,443,652
Bad debts (recoveries)	(3,489)	195,917
Office	569,544	517,266
Facility	1,095,968	739,178
Professional fees	449,437	634,159
Other administration	1,133,876	1,154,883
	$ 6,788,890	$ 5,685,055

Bad debt in 2006 related to one customer that filed for CCAA. During 2007, the Company recorded no bad debt expenses.

Interest expense amounting to $5.4 million includes interest paid and amortization of transaction costs calculated using the effective interest method on the various debt instruments the Company had during the 2007.

Capital expenditures of $37.1 million in 2007 consisted of the fabrication of equipment as noted above including assets that are still under construction at year end. At year end there was four service rigs with related equipment under construction.

Related party transactions relate to purchases of equipment from a key supplier at the beginning of the year and rent from landlords who are related during the course of normal business activities. The prices paid for these services are negotiated at fair value and paid according to the contracts in place. The values relating to 2007 and 2006 were as follows:

YEAR ENDING DECEMBER 31	2007	2006
Purchases of capital equipment	$ 7,976,516	$ 27,123,326
Amounts in accounts payable	9,005	92,005
Amounts in operating expense	32,658	–
Amounts in rent expense	228,000	179,000
Amounts in other G&A expenses	36,000	16,000
Amounts in long-term debt	–	309,326

Rent expense consists of facility rent in Provost to a company that is owned by a director and rent of a property in Whitecourt which is owned by shareholders who are also employees.

Amounts included in general and administrative expense relates to expenses for vehicles which are owned by companies controlled by various employees.

The long-term debt represents the amount of a capital lease with a leasing company owned by a director. This lease was part of the SSI acquisition completed on March 31, 2006.

Liquidity and Capital Resources

FOR THE QUARTER ENDED	Q4 2007	Q3 2007	Q2 2007	Q1 2007
Working capital (deficiency)	$ 8,230,532	$ 10,766,402	$ 9,679,652	$ 11,588,974
Working capital (deficiency) – net of bridge loan and restricted cash	7,815,532	10,351,402	9,264,652	11,173,974
Long-term debt	29,453,660	20,374,723	15,498,793	58,134,623
Shareholders' equity	82,285,194	82,032,188	82,550,545	37,148,201
Long-term debt to equity	0.36	0.25	0.19	1.56

FOR THE QUARTER ENDED	Q4 2006	Q3 2006	Q2 2006	Q1 2006
Working capital (deficiency)	$ (27,256,935)	$ (23,307,384)	$ (17,519,991)	$ (194,130)
Working capital (deficiency) – net of bridge loan and restricted cash	7,330,725	6,120,890	3,074,368	(194,130)
Long-term debt	16,523,834	16,937,611	17,182,610	14,040,639
Shareholders' equity	34,626,065	45,578,780	45,300,850	45,628,496
Long-term debt to equity	0.48	0.37	0.38	0.31

Working capital ended the quarter at $7.8 million net of bridge loan and restricted cash, an increase of $0.5 million from December 31, 2006.

The Company has committed to the completion of a capital build program consisting of four more service rigs and related equipment through the end of the first quarter of 2008 at an estimated cost of $9 million. This equipment is being constructed at several different fabrication facilities throughout western Canada.

As at December 31, 2007, the Company had 21,733,730 Class A common shares and 6,153,531 Class B common shares issued and outstanding.

Contractual Obligations

	2008	2009	2010	2011	2012 AND BEYOND	TOTAL
Long-term debt	$ –	$ –	$33,200,00	$ –	$ 24,500	$33,224,500
Rent	860,506	860,506	692,852	145,619	34,540	2,594,023
Other operating leases	43,687	–	–	–	–	43,687
Capital commitments	4,500,000	–	–	–	–	4,500,000
Total obligations	$5,404,193	$860,506	$33,892,852	$145,619	$ 59,040	$40,362,210

The Company is committed to repayment of its long-term debt over the next three years including principal and interest. Along with that the Company has several vehicle leases, building and facility leases, and has just entered into a sublease on a property in Brooks, Alberta as part of the acquisition of the service rig division from Wellco Energy Services Trust in January, 2008.

The Company will also be taking delivery of four service rigs and related equipment through the first quarter of 2008 for an approximate cost of $9 million.

Critical Accounting Estimates

This Management's Discussion and Analysis of the Company's financial condition and results of operations is based on the consolidated financial statements which are prepared in accordance with Canadian generally accepted accounting principles (GAAP). The Company's significant accounting policies are discussed in note 4 of the audited consolidated financial statements. The presentation of these financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and the disclosure of contingent liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. These estimates are based on experience and assumptions that are believed to be reasonable under the circumstances. Although care has been taken anticipating future events can not be done with certainty, therefore actual results may vary from these estimates over time as more accurate information is available and as the Company's operating environment changes.

Impairment of Long-Lived Assets: Long-lived assets, including property and equipment and intangible assets comprise a majority of the Company's assets. Management reviews the carrying values of these assets for impairment periodically or whenever events or changes in circumstance indicate that their carrying value may not be recoverable. When this occurs management performs various tests to see if the net carrying value differs from fair value, and if the fair value is less than carrying value the asset would be considered to be impaired and an impairment loss would be recognized to reduce the asset's carrying value to its estimated fair value.

Depreciation and Amortization: The Company's property, plant, equipment and intangibles are depreciated and amortized over estimated useful life using both straight line and unit-of-production methods. The estimates may change over time as more useful information becomes available, market conditions shift or other factors change the estimated useful life of the assets.

Stock Based Compensation: Stock based compensation expense associated with the stock-option rights granted to directors and employees is calculated based on assumptions using the Black-Scholes option pricing model to produce an estimate of compensation. This estimate may vary due to changes in the Black-Scholes variables, which include the risk free rate of return, the share price volatility and the rates of forfeiture.

Risk Management

Business Risks: Activity in the oil and gas industry is subject to a range of external factors that are difficult to actively manage, including resource demand, commodity pricing and climate. The Company plans to mitigate these risks by creating a strong balance sheet and remaining responsive to changes in industry dynamics.

The Company has a comprehensive insurance policy to help safeguard its assets, operations and employees. This is reviewed annually and revised as changes in circumstances warrant.

Credit Risks: The Company regularly transacts with oil and gas exploration companies and is exposed to the associated credit risk. Management continually assesses the credit worthiness of these customers and monitors all outstanding balances. Management views the credit risk of its accounts receivables as normal for its industry.

Financing Risk: The ability of the Company to complete its budgeted capital acquisition program and meet its payment obligations as they become due will continue to be dependent on its ability to secure sufficient funds through additional debt and equity financing, and to generate positive cash flow from operations.

Supplier Risk: The Company has a large portion of its service rig and associated equipment manufactured by a single provider. While this arrangement provides certain market advantages, it also exposes the Company to potential short-term vulnerability if this supplier experiences unusual production disruptions or labour disputes.

Seasonal and Weather Risk: Seasonal factors and unexpected weather patterns may lead to reduced oil and gas exploration activity and corresponding declines in the demand for the Company's services during various times of the year.

Competitive Conditions: The operating climate within the Western Canadian Sedimentary Basin is very competitive, resulting in fluctuations of price and utilization rates. CWC attempts to mitigate these risks by creating a good working relationship with its customers and focusing on longer term contracts.

Change in Accounting Policy

On January 1, 2007, the Company adopted the recommendations included in the following Sections of the Canadian Institute of Chartered Accountants Handbook: Section 1530, Comprehensive Income, Section 3855, Financial Instruments – Recognition and Measurement, Section 3865, Hedges, Section 3861, Financial Instruments – Disclosure and Presentation, and Section 3251, Equity.

Section 1530, Comprehensive income, requires the presentation of comprehensive income and its components in a new financial statement. Comprehensive income is the change in the net assets of a company arising from transactions, events and circumstances not related to shareholders. Section 3251, Equity, establishes standards for the presentation of equity and changes in equity during the reporting period.

Section 3855, Financial Instruments – Recognition and Measurement, and Section 3861, Financial Instruments – Disclosure and Presentation, establishes standards for classification, recognition, measurement, presentation and disclosure of financial instruments (including derivatives) and non-financial derivatives in the financial statements. This standard prescribes when to recognize a financial instrument in the balance sheet and at what amount, fair value or amortized cost depending on their balance sheet classification of the related financial instrument. This standard also prescribes the basis of presentation for gains and losses on financial instruments. Based on financial instrument classification, gains and losses on financial instruments are recognized in net income or other comprehensive income.

The Company has made the following classifications:

- Cash is classified as an "Asset held for trading." It is measured at fair value and the gains or losses resulting from the re-measurement at the end of each period are recognized in net income.
- Accounts receivable are classified as: "Loans and receivables." They are recorded at cost, which upon their initial measurement is equal to their fair value. Subsequent measurements are recorded at amortized cost using the effective interest rate method.
- Bank indebtedness, accounts payable and accrued liabilities, and long-term debt are classified as "Other financial liabilities." They are initially measured at their fair value. Subsequent measurements are recorded at amortized cost using the effective interest method.

Section 3865, Hedges, sets out standards specifying when and how an entity can use hedge accounting. The adoption of this new standard is optional. It offers the possibility of applying different reporting options than those set out in Section 3855, Financial Instruments – Recognition and Measurement, to qualifying transactions that they elect to designate as hedges for accounting purposes. The Company does not currently engage in hedging activities required to be addressed by these new standards.

Based on Section 3855, Financial Instruments – Recognition and Measurement, these derivatives are measured at fair value at the end of each period and the gains or losses resulting from re–measurement recognized in net income. The Company has reviewed its contracts and concluded there are no embedded derivatives at this time.

Four new CICA Handbook Sections have been issued which will require additional disclosure in the Company's financial statements commencing January 1, 2008. Section 1535 "Capital Disclosures" requires the disclosure of qualitative and quantitative information about the Company's objectives, policies and processes for managing capital. The new Sections 3862 "Financial Instruments – Disclosures" and 3863 "Financial Instruments – Presentation" will replace Section 3861 to prescribe the requirements for presentation and disclosure of financial instruments. Furthermore, Handbook Section 3031 "Inventories" will become effective January 1, 2008.

Internal Control Over Financial Reporting

The Chief Executive Officer and the Chief Financial Officer (the "Disclosure Officers") are responsible for establishing and maintaining the Company's disclosure controls and procedures to provide reasonable assurance that the material information relating to the Company is made known. Internal controls over financial reporting have been designed under the supervision of the Disclosure Officers to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statement for external purposes in accordance with Canadian GAAP.

Outlook

The Company has successfully implemented its business plan of becoming a full energy service provider built around its core division of well servicing.

Subsequent to year end, the Company completed the acquisition of nine additional service rigs and an operation base in Brooks, Alberta for cash consideration of $11.3 million. The Company was able to retain all employees of the division, and has made good progress to integrate the operations of the division with the Company.

The Company anticipates a rise in activity levels going into the winter season of 2008 and the beginning of 2009. In order to meet the customers' needs, the Company will continue to evaluate accretive acquisitions in order to increase the service rig fleet. With the increase in the well servicing capabilities, the Company also anticipates a growing demand for the other oilfield services as marketing of the combined services continues.

Management's Report

To the Shareholders of Central Alberta Well Services Corp.

The accompanying financial statements of Central Alberta Well Services Corp. (CWC) and all the information in the Annual Report are the responsibility of management and have been approved by the Board of Directors.

The accompanying financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles and include certain estimates that reflect management's best judgments. Financial information presented throughout the annual report is consistent with these financial statements.

Management is responsible for the reliability and integrity of the financial statements, the notes to the financial statements and other financial information contained in this report. In the preparation of these statements, estimates are sometimes necessary because a precise determination of certain assets and liabilities is dependent on future events. Management believes such estimates have been based on careful judgments and have been properly reflected in the accompanying financial statements. Management is also responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control.

The Audit Committee, which consists of three non-management directors, has reviewed the financial statements with management and the external auditor. An independent firm of chartered accountants, appointed as external auditor by the shareholders, has audited the financial statements and its report is included herein.

Darryl Wilson
President and Chief Executive Officer
March 27, 2008

Darcy Campbell, CMA
Chief Financial Officer
March 27, 2008

Auditors' Report to the Shareholders

We have audited the balance sheets of Central Alberta Well Services Corporation as at December 31, 2007 and 2006 and the statements of loss, comprehensive loss and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2007 and 2006 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants
Calgary, Canada
March 27, 2008

Balance Sheets

Central Alberta Well Services Corp.

For the years ended December 31, 2007 & 2006

AS AT DECEMBER 31	2007	2006
ASSETS		
Current assets		
Cash	$ 1,870,034	$ 1,688,926
Restricted cash	415,000	415,000
Accounts receivable	10,868,117	13,433,591
Shareholder loans (note 10)	128,470	–
Inventory and work in progress (note 7)	1,676,610	1,729,040
Prepaid expenses and deposits	252,028	270,344
Income tax receivable	115,736	641,663
	15,325,995	18,178,564
Property and equipment (note 8)	98,497,905	70,524,885
Shareholder loans (note 10)	70,625	118,000
Deferred financing costs (note 12)	–	803,194
Intangible assets (note 9)	4,570,792	5,173,768
	$ 118,465,317	$ 94,798,411
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	$ 7,095,463	$ 6,079,557
Short-term debt (note 11)	–	35,000,000
Shareholder loans (note 10)	–	76,855
Current portion of long-term debt (note 12)	–	4,279,087
	7,095,463	45,435,499
Future income taxes (note 14)	–	2,492,100
Long-term debt (note 12)	29,453,660	12,244,747
	36,549,123	60,172,346
SHAREHOLDERS' EQUITY		
Share capital (note 13 (a))	80,710,016	47,661,284
Contributed surplus (note 13 (d))	4,135,569	2,062,738
Warrants (note 13 (f))	2,412,121	–
Deficit	(5,341,512)	(15,097,957)
	81,916,194	34,626,065
Commitments and contingencies (notes 15 and 19)		
Subsequent events (note 21)		
	$ 118,465,317	$ 94,798,411

See accompanying notes to financial statements.

Approved on behalf of the Board,

Lou MacEachern, *Director*

Jeff Thomson, *Director*

Statements of Loss, Comprehensive Loss and Deficit

Central Alberta Well Services Corp.

For the years ended December 31, 2007 & 2006

YEARS ENDED DECEMBER 31	2007	2006
REVENUE (note 20)	$ 47,350,780	$ 39,797,325
EXPENSES		
Operating expenses	31,654,965	24,216,495
General and administrative	6,788,890	5,685,055
Stock based compensation (note 13 (d))	1,327,580	1,536,800
Interest	5,374,958	2,645,780
Impairment of goodwill	–	10,907,667
Depreciation	8,985,359	6,821,077
Amortization	602,976	452,232
	54,734,728	52,265,106
NET LOSS BEFORE TAX	(7,383,948)	(12,467,781)
INCOME TAXES (note 14)		
Current (reduction)	197,378	(456,633)
Future (recovery)	(2,239,814)	(28,900)
	(2,042,436)	(485,533)
NET LOSS AND COMPREHENSIVE LOSS	(5,341,512)	(11,982,248)
DEFICIT, BEGINNING OF YEAR	(15,097,957)	(3,115,709)
APPLICATION OF PRIOR YEAR DEFICIT TO SHARE CAPITAL	15,097,957	–
DEFICIT, END OF YEAR	$ (5,341,512)	$ (15,097,957)
NET LOSS PER SHARE (note 13 (e))		
Basic and diluted	$ (0.24)	$ (1.25)

See accompanying notes to financial statements.

Statement of Cash Flows

Central Alberta Well Services Corp.

For the years ended December 31, 2007 & 2006

	2007	2006
CASH PROVIDED BY (USED IN):		
OPERATING:		
Net income/(loss)	$ (5,341,512)	$ (11,982,248)
Items not affecting cash:		
Stock based compensation	1,327,580	1,536,800
Interest on shareholder loans	(9,915)	(14,849)
Accretion of debt financing costs and warrants	1,364,902	–
Loss (gain) on disposal of assets	(17,066)	24,547
Future income tax (reduction)	(2,239,814)	(28,900)
Impairment of goodwill	–	10,907,667
Depreciation and amortization	9,588,335	7,273,309
	4,672,510	7,716,326
Change in non-cash working capital (note 18)	3,977,395	(7,358,909)
	8,649,905	357,417
INVESTING:		
Business acquisitions – net of cash (note 6)	–	(4,285,569)
Purchase of property and equipment	(37,051,821)	(40,967,537)
Proceeds on sale of assets	110,508	23,004
Restricted cash	–	(415,000)
	(36,941,313)	(45,645,102)
FINANCING:		
Issue of long-term debt	76,200,000	8,050,000
Retirement of long-term debt	(59,499,334)	(1,695,375)
Issue of short-term debt	–	35,000,000
Restructure of short-term debt	(35,000,000)	–
Transaction costs	(1,920,426)	(1,762,420)
Issue of common shares	50,000,000	5,242,282
Repurchase of common shares (note 13 (a))	(529,911)	–
Share issue costs	(830,435)	(277,204)
Increase (repayment) of shareholder loans	52,622	(225,499)
	28,472,516	44,331,784
INCREASE (DECREASE) IN CASH	181,108	(955,901)
CASH, BEGINNING OF YEAR	1,688,926	2,644,827
CASH, END OF YEAR	$ 1,870,034	$ 1,688,926
Supplementary Information:		
Interest paid	$ 3,485,884	$ 2,716,637
Payout penalties paid on replacement of old loans	608,071	–
Interest received	134,667	109,963
Income taxes paid	48,824	1,229,163
Income taxes refunded	418,437	5,327

See accompanying notes to financial statements.

1. Description of Business:

Central Alberta Well Services Corp. (CWC) is an oilfield services company providing production services to oil and gas exploration and development companies throughout the Western Canadian Sedimentary Basin.

On March 31, 2006, CWC acquired all the outstanding shares of three separate companies; Precise Energy Services Ltd., 1080104 Alberta Ltd. (Vertical Rentals), and SSI Special Services Inc. These acquisitions brought production testing, a rental fleet, snubbing services and nitrogen delivery and pumping services to CWC (note 6 (a), (b), (c)).

2. Basis of Presentation:

On January 1, 2007 the Company amalgamated all subsidiaries owned on December 31, 2006. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). All comparative financial statement information for the year ended December 31, 2006 was prepared on a consolidated basis.

Certain prior period amounts have been reclassified to conform to the current period's presentation.

3. Seasonality of Operations:

The Company's operations are located in Western Canada. The ability to move heavy equipment safely and efficiently in Western Canadian oil and natural gas fields is dependent on weather conditions. Activity levels during the first quarter are typically the most robust as the frost creates a stable ground mass that allows for easy access to well sites and easier service rig movement. The second quarter is traditionally the slowest due to road bans during spring break-up. When winter's frost leaves the ground, it renders many secondary roads incapable of supporting the weight of heavy equipment until they have thoroughly dried out. Road bans during this time restrict service rig and support equipment access to well sites. The third quarter has more activity as the summer months are typically drier than the second quarter. The fourth quarter is again quite active as winter temperatures freeze the ground once more maximizing site access. However, there may be temporary halts to operations in extreme cold weather when the temperature falls below -35C.

4. Significant Accounting Policies:

These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. The preparation of financial statements, in conformity with Canadian generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts reported in the financial statements and accompanying notes. Actual results could differ materially from those estimates. The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and the framework of the significant accounting policies summarized below:

a) Restricted cash:

Certain cash balances are restricted as they relate to cash collateralization of bank guarantees for payroll electronic funds transfer. These funds are not available for general corporate use and have been separately disclosed.

4. Significant Accounting Policies (continued):

b) Inventory and work in progress:

Inventory is comprised of operating supplies and spare parts and is carried at the lower of average cost and net realizable value. Work in progress consists of manufacturing projects under construction and includes material, labour and overhead relating to the projects.

c) Property and equipment and intangible assets:

Property and equipment are recorded at cost less accumulated depreciation. Depreciation and amortization are provided taking into consideration the estimated useful lives of the assets, using the following methods and annual rates:

ASSETS	METHOD	RATE
Service rigs	Unit of production	24,000 operating hours
Production units	Straight-line	3 - 10 years
Other field equipment	Straight-line	2 to 10 years
Computer, furniture and office equipment	Straight-line	4 to 5 years
Intangible assets	Straight-line	3 to 10 years

Assets under construction are not depreciated until they are available for use. Assets are tested for impairment as deemed necessary by changing circumstances that could indicate an impairment in the carrying value.

d) Long-term debt:

Long-term debt is accounted for at its amortized cost, using the effective interest method. Transaction costs are incremental costs that are attributable to the acquisition, issue, or disposal of a financial instrument. Transaction costs are offset against the associated debt and amortized using the effective interest method.

e) Income taxes:

The Company follows the asset and liability method of accounting for income taxes, whereby future income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the carrying value of assets and liabilities and their tax bases. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to reverse. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the date of enactment or substantive enactment. A valuation allowance was recorded against any future income tax asset if it was more likely than not that the asset would not be realized.

f) Revenue recognition:

Revenue is recognized when services are rendered and collection is reasonably assured. The Company's services are generally sold based upon contracts with the customer that include fixed or determinable prices based upon daily, hourly or job rates.

4. Significant Accounting Policies (continued):

g) Per share amounts:

Basic per share amounts are calculated using the weighted average number of shares outstanding during the period. Diluted per share amounts are calculated using the treasury stock method whereby the proceeds obtained on exercise of stock options and performance warrants, where market value exceeds exercise price, would be used to purchase common shares at the average price during the period. The weighted average number of shares is then adjusted by the net change.

h) Stock based compensation:

The Company has equity incentive plans, which are described in notes 13(b) and 13(c). The fair value of the stock options is calculated at the date of grant using the Black-Scholes option pricing model and the fair value of the performance warrants is measured using the Trinomial Lattice pricing model. The resulting values are recorded as compensation cost over the associated vesting period with an offsetting credit to contributed surplus. Upon exercise, the associated amounts will be reclassified from contributed surplus to share capital. Consideration paid upon exercise of options and performance warrants will be credited to share capital.

5. Change in Accounting Policy:

On January 1, 2007, the Company adopted CICA Handbook Sections 1530 "Comprehensive Income", Section 3251 "Equity", Section 3855 "Financial Instruments – Recognition and Measurement", Section 3861 "Financial Instruments – Disclosure and Presentation" and Section 3865 "Hedges". These new standards have been adopted on a prospective basis with no restatement of prior periods.

Section 1530 and 3251 establishes standards for reporting and presenting comprehensive income, which is defined as the change in equity from transactions and other events from non-owner sources. Other comprehensive income includes unrealized gains and losses on financial assets classified as available-for-sale, unrealized foreign currency translation amounts, net of hedging, arising from self-sustaining operations, and changes in the fair value of the effective portion of cash flow hedging instruments. The cumulative amount of other comprehensive income, accumulated other comprehensive income, is presented as a category of shareholders' equity in the consolidated balance sheets.

Section 3855 prescribes when a financial asset, financial liability or non-financial derivative is to be recognized on the balance sheet and at what amount, requiring fair value or cost-based measures under different circumstances. Under Section 3855, financial instruments must be classified into one of these five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments, including derivatives, are measured in the balance sheet at fair value except for loans and receivables, held to maturity investments, and other financial liabilities which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification as follows: held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net earnings; available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the investment is derecognized or impaired at which time the amounts would be recorded in net earnings.

5. Change in Accounting Policy (continued):

As a result of adopting section 3855, the Company designated its cash and cash equivalents as held-for-trading, which is measured at fair value. Accounts receivable are classified as loans and receivables which are measured at amortized cost. Amounts owed under the long term debt facility, accounts payable, income and other taxes payable, and capital lease obligations are classified as other financial liabilities which are measured at amortized cost. Transaction costs associated with the Company's long-term debt facilities are no longer presented as a separate asset on the balance sheet but are offset against the debt. Transaction costs are no longer amortized on a straight-line basis over the life of the debt but are amortized using the effective interest method. The effect of adopting these provisions of the new standard resulted in the deferred costs at January 1, 2007, of $2.6 million net of amortization, being reclassified against the long-term debt facilities as well as $2.3 million attributable to the fair value of the warrants.

Section 3865 specifies the circumstances under which hedge accounting is permissible and how hedge accounting may be performed. The Company currently does not have a hedging program and consequently there is no impact from adopting this standard.

The Company has reviewed its contracts and concluded there are no embedded derivatives at this time.

Four new CICA Handbook Sections have been issued which will require additional disclosure in the Company's financial statements commencing January 1, 2008. Section 1535 "Capital Disclosures" requires the disclosure of qualitative and quantitative information about the Company's objectives, policies and processes for managing capital. The new Sections 3862 "Financial Instruments – Disclosures" and 3863 "Financial Instruments – Presentation" will replace Section 3861 to prescribe the requirements for presentation and disclosure of financial instruments. Furthermore, Handbook Section 3031 "Inventories" will become effective January 1, 2008.

6. Business Acquisitions:

a) SSI Special Services Inc. ("SSI")

On March 31, 2006, the Company acquired 100% of the issued and outstanding shares of SSI and certain shareholder loan balances for total consideration of $18.3 million, excluding transaction costs, including $4.0 million and the issuance of 8.0 million shares of the Company from treasury. SSI provides nitrogen and snubbing services to oil and gas companies operating in Western Canada and has been in operation since 1997.

b) Precise Energy Services Ltd. ("Precise")

On March 31, 2006, the Company acquired 100% of the issued and outstanding shares of Precise for a purchase price of $4.8 million, excluding transaction costs, by the issuance of 2.5 million shares of the Company from treasury. Precise provides well testing services to resource companies operating in Western Canada.

6. Business Acquisitions (continued):

c) 1080104 Alberta Ltd. ("Vertical")

On March 31, 2006, the Company acquired 100% of the issued and outstanding shares of Vertical for a purchase price of $2.3 million, excluding transaction costs, by the issuance of 1.2 million shares of the Company from treasury. Vertical has a fleet of rental equipment that it provides to oil and gas customers in Western Canada.

These transactions have been accounted for by the purchase method. These acquisitions closed March 31, 2006. Results from these acquisitions have been included from the date of acquisition. Details of the acquisitions, as amended to reflect the values ascribed, are as follows:

	SSI	PRECISE	VERTICAL	TOTAL
ASSETS:				
Working capital items	$ 1,273,210	$ 283,862	$ 503,260	$ 2,060,332
Property and equipment	11,441,304	2,825,000	1,200,000	15,466,304
Intangible assets	5,626,000	–	-	5,626,000
Goodwill	6,317,301	3,052,500	894,683	10,264,484
	24,657,815	6,161,362	2,597,943	33,417,120
ASSUMED LIABILITIES:				
Due to parent	4,050	–	–	4,050
Long term debt	4,284,671	896,369	38,169	5,219,209
Future income taxes	1,802,000	431,000	257,000	2,490,000
	6,090,721	1,327,369	295,169	7,713,259
Net assets and total consideration	18,567,094	4,833,993	2,302,774	25,703,861
Less: cash position	612,078	350,591	(298,617)	664,052
Net assets – excluding cash	$ 19,179,172	$ 5,184,584	$ 2,004,157	$ 26,367,913
Cash consideration – net of cash acquired	$ 4,000,000	$ –	$ –	$ 4,000,000
Acquisition costs	247,094	20,501	17,974	285,569
Non cash consideration	14,320,000	1,813,492	2,284,800	18,418,292
Total consideration – net of cash position	$ 18,567,094	$ 1,833,993	$ 2,302,774	$ 22,703,861

7. Inventory and Work in Progress:

DECEMBER 31	2007	2006
Inventory	$ 1,676,610	$ 1,554,005
Work in process	–	175,035
	$ 1,676,610	$ 1,729,040

8. Property and Equipment:

DECEMBER 31, 2007	COST	ACCUMULATED DEPRECIATION	NET BOOK VALUE
Service rigs	$ 35,640,471	$ 3,912,492	$ 31,727,979
Production units	28,934,522	4,456,863	24,477,659
Other field equipment	42,491,729	6,379,505	36,112,224
Computers, furniture and office equipment	1,199,041	400,305	798,736
Assets under construction	5,381,307	–	5,381,307
	$ 113,647,070	$15,149,165	$98,497,905

DECEMBER 31, 2006	COST	ACCUMULATED DEPRECIATION	NET BOOK VALUE
Service rigs	$ 20,561,148	$ 1,787,562	$ 18,773,586
Production units	21,735,395	1,709,732	20,025,663
Other field equipment	29,690,022	2,658,985	27,031,037
Computers, furniture and office equipment	1,076,294	181,291	895,003
Assets under construction	3,799,596	–	3,799,596
	$ 76,862,455	$ 6,337,570	$ 70,524,885

The Company had $4,541,779 in capital leases at December 31, 2006 in the production unit category of property and equipment ($336,792 accumulated amortization) that were fully paid in the first three months of 2007.

9. Intangibles:

DECEMBER 31, 2007	COST	ACCUMULATED AMORTIZATION	NET BOOK VALUE
Leasehold interest	$ 55,000	$ 10,101	$ 44,899
Developmental technologies	321,000	126,357	194,643
Trade name	1,300,000	227,493	1,072,507
Customer relationships	3,950,000	691,257	3,258,743
	$ 5,626,000	$ 1,055,208	$ 4,570,792

DECEMBER 31, 2006	COST	ACCUMULATED AMORTIZATION	NET BOOK VALUE
Leasehold interest	$ 55,000	$ 4,329	$ 50,671
Developmental technologies	321,000	54,153	266,847
Trade name	1,300,000	97,497	1,202,503
Customer relationships	3,950,000	296,253	3,653,747
	$ 5,626,000	$ 452,232	$ 5,173,768

10. Shareholder Loans:

DECEMBER 31	2007	2006
Secured shareholder loans at 6% interest calculated semi-annually	$ 136,003	$ 188,625
Less long-term portion	(70,625)	(118,000)
Plus accrued interest	7,615	12,520
Current portion of secured shareholder loans	72,993	83,145
Current portion of non-secured shareholder loans	55,477	(160,000)
Current portion of shareholder loans	$ 128,470	$ (76,855)

On March 1, 2005 the Company provided loans to certain employees to assist in the purchase of 1,165,000 common shares of the Company (291,250 shares after July 2007 share consolidation). Shareholder loans outstanding to these employees as at December 31, 2007 total $136,003 (2006: $188,625) plus accrued interest of $7,615 (2006: $12,520). Promissory notes obtained from these shareholders require equal payments of principal of $70,625 per year over a four-year period, plus interest at 6% calculated semi-annually on the anniversary of the issuance. The loans are secured by personal guarantees from the shareholders. The Company holds a security interest in these shares and 50% of the associated shares are being held in trust by the Company until the promissory notes have been paid in full. Market value of these shares at December 31, 2007 was $396,100.

11. Short-term Debt:

DECEMBER 31	2007	2006
Credit facility for $35 million at interest rate of bank prime plus 3.0%, maturing on April 30, 2007. Monthly repayments of interest only secured by a second charge on equipment and a general security agreement. Prior to maturity, the facility was converted into a long-term facility with the same lender.	$ –	$ 35,000,000

12. Long-term Debt:

DECEMBER 31	2007	2006
Credit facility for $63 million at interest rate of bank prime plus 0.5% up to $35 million outstanding and escalating after that amount, maturing on January 25, 2010. Monthly repayments of interest only secured by a first charge on equipment and a general security agreement on all assets.	$ 33,200,000	$ –
Credit facility for $13 million at interest rates based on Government of Canada bond yield plus 3.2%, monthly payments of interest only to December 31, 2006, followed by 48 equal payments of principal and interest, secured by a first charge on equipment and a general security agreement. Facility was fully repaid during the three months ended March 31, 2007.	–	12,927,654
Capital leases with interest at fixed interest rates from 2.9% to 11.0% maturing at various dates from October 2006 to February 2011, monthly payments of principal and interest of $87,329, secured by charges over specific equipment. Facility was fully repaid during the three months ended March 31, 2007.	–	2,418,167
Equipment loans bearing interest at bank prime rate plus 1.25%, monthly payments of $18,403 per month, maturing at various dates from September 2009 to October 2010. Facility was fully repaid during the three months ended March 31, 2007.	–	753,513
Unsecured loans with no fixed terms of repayment, incurring interest at 10% per annum, payable monthly. Loans were fully repaid during the three months ended March 31, 2007.	–	400,000
Unsecured, interest-free loan from Government of Canada related to a patent and repayable upon commercial application of the patent.	24,500	24,500
Total debt	33,224,500	16,523,834
Less transaction costs relating to the $63 million long-term facility which includes the $35 million original short-term facility. Similar transaction charges in prior periods were treated as an asset called deferred financing costs.	(2,000,813)	–
Less cost of 12,121,212 warrants relating to the $63M long-term facility.	(1,770,027)	–
Less current portion	–	4,279,087
	$ 29,453,660	$ 12,244,747

12. Long-term Debt (continued):

At December 31, 2007, estimated principal repayments for each of the next five years are as follows:

2008	$ –
2009	–
2010	33,200,000
2011	–
2012	–
Thereafter	24,500
	$ 33,224,500

13. Share Capital:

a) Authorized:

Unlimited number of common shares

Issued:

	NUMBER	AMOUNT
Balance at January 1, 2006	27,080,138	$ 21,172,024
Issued on private placement	2,904,400	5,082,704
Issued on exercise of options	36,667	65,630
Issued on SSI acquisition (note 6)	8,000,000	14,320,000
Issued on Precise acquisition (note 6)	2,507,027	4,813,492
Issued on Vertical acquisition (note 6)	1,190,000	2,284,800
Share issue costs (net of tax – $93,000)	–	(184,204)
Issued to repay shareholder loan	155,041	106,838
Balance at December 31, 2006	41,873,273	$ 47,661,284

CLASS A	NUMBER	AMOUNT
Balance at January 1, 2007	41,873,273	$ 47,661,284
Application of prior year deficit against share capital	–	(15,097,957)
Issued on private placement	48,814,447	34,170,113
Share issue costs (net of tax – $252,286)	–	(578,149)
Share consolidation (1 share for every 4 outstanding)	(68,015,790)	–
Repurchase of common shares	(438,200)	(1,275,162)
Share transfer to class B shares	(500,000)	(1,400,000)
Balance at December 31, 2007	21,733,730	$ 63,480,129

CLASS B	NUMBER	AMOUNT
Balance at January 1, 2007	–	$ –
Issued on private placement	22,614,124	15,829,887
Share consolidation (1 share for every 4 outstanding)	(16,960,593)	–
Share transfer from class A shares	500,000	1,400,000
Balance at December 31, 2007	6,153,531	$ 17,229,887
Total Share Capital		$ 80,710,016

13. Share Capital (continued):

During February 2006, the Company completed a private placement of 2,904,400 common shares at $1.75 per share for gross proceeds of $5,082,704. Related costs of $247,204, less income tax of $82,935, were recorded as share issue costs.

On March 31, 2006, the Company completed the acquisitions of SSI, Precise and Vertical. On the SSI transaction the Company issued 8,000,000 common shares for purchase consideration of $14,320,000. On the Precise acquisition, the Company issued 2,507,027 common shares for purchase consideration of $4,813,492. On the Vertical acquisition, the Company issued 1,190,000 common shares for purchase consideration of $2,284,800. Related costs of $30,000, less income tax of $10,065, were recorded as issue costs.

During December 2006, the Company issued 155,041 common shares in settlement of an outstanding shareholder loan.

During May 2007, the Company obtained shareholders' approval for a reduction of share capital with the deficit as of December 31, 2006 amounting to $15,097,957.

During May and June 2007, via a private placement the Company issued 48,814,447 Class A voting common shares and 22,614,124 Class B non-voting common shares at $0.70 per share for gross proceeds of $50,000,000. Related costs of $830,435, less income taxes of $252,286, were recorded as share issue costs.

During July 2007, the Company consolidated both class A and class B shares by issuing one (1) share for every four (4) outstanding class A and class B common shares.

In August 2007 the Company began repurchasing class A shares under a Normal Course Issuer Bid program. At December 31, 2007, 438,200 class A shares had been repurchased. At December 31, 2007, 24,100 of the class A shares had been returned to treasury and cancelled.

b) Performance warrants:

The Company issued 3,600,000 performance warrants on April 28, 2005 to certain of its directors and officers with a term of five years (900,000 warrants after the July 2007 1 for 4 share consolidation). Upon vesting, the warrants were exercisable into shares of the Company at a price of $1.00 per share ($4.00 per share after the July 2007 1 for 4 share consolidation). Vesting was conditional upon the weighted average trading price of the Company's common shares being above specified levels for 20 consecutive trading days. During the fourth quarter of 2005, the vesting conditions were met for 100% of the warrants and compensation expense was recognized. The grant date fair value at the time of issue was $0.38 per warrant. Of these warrants, 2,936,850 (82%) were subject to an escrow agreement, whereby subject to the vesting conditions, 10% of the warrants were released upon issuance and 15% of the balance are releasable every six months for three years (734,213 warrants after the July 2007 1 for 4 share consolidation).

13. Share Capital (continued):

c) Stock option plan:

Issuing shares to one major shareholder through a private placement in May and June 2007 created an effective change in control under the stock option plan, and caused all remaining unvested options to vest. Stock based compensation expense of $893,000 was recorded to reflect accelerated vesting.

During July 2007, the Company consolidated both class A and class B shares by issuing one (1) share for every four (4) outstanding thereby consolidating all options on the same basis. Per share amounts reflect retroactive consolidation of shares.

In September 2007 the Company applied to the TSX Venture to have all outstanding options cancelled and to issue new options to its employees. Approval was granted and all outstanding options were cancelled. On October 1, 2007, under the new stock option plan, 1,453,125 options to purchase class A shares were issued to officers, senior management, employees and directors at an exercise price of $2.40 per share. The options have vesting provisions over three years and will expire five years from the date of issue.

	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE ($)
Outstanding, January 1, 2006	1,445,000	1.80
Granted	2,315,500	1.72
Exercised	(36,667)	(1.18)
Forfeited	(108,833)	(1.76)
Outstanding, December 31, 2006	3,615,000	1.75
Outstanding, January 1, 2007	3,615,000	1.75
Granted	602,500	0.77
Forfeited	(538,000)	(1.78)
	3,679,500	1.59
Share consolidation (1 share for every 4 outstanding)	(2,759,625)	
Cancellation (September 30, 2007)	(919,875)	(6.36)
Granted, October 1, 2007	1,453,125	2.40
Outstanding, December 31, 2007	1,453,125	2.40

The fair value of the options granted was estimated as at the grant date using the Black-Scholes option pricing model. The Company recognized compensation expense for these stock options based upon the following assumptions:

Risk-free rates of return	3.71% – 4.15%
Expected life (years)	5
Volatility	50%
Dividend yield	0%

13. Share Capital (continued):

2007

RANGE OF EXERCISE PRICE	OUTSTANDING STOCK OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE ($)	REMAINING LIFE	EXERCISABLE STOCK OPTIONS	WEIGHTED AVERAGE VESTED EXERCISE PRICE ($)
2.40 – 2.40	1,453,125	2.40	4.75	–	–

2006

RANGE OF EXERCISE PRICE	OUTSTANDING STOCK OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE ($)	REMAINING LIFE	EXERCISABLE STOCK OPTIONS	WEIGHTED AVERAGE VESTED EXERCISE PRICE ($)
0.75	300,000	0.75	4.96	100,000	0.75
1.15 – 1.82	2,017,500	1.60	4.02	867,500	1.50
1.91 – 2.50	1,297,500	2.22	4.03	699,167	2.26
0.75 – 2.50	3,615,000	1.75	4.18	1,666,667	1.77

d) Contributed surplus:

DECEMBER 31	2007	2006
Opening balance	$ 2,062,738	$ 538,829
Stock based compensation	1,327,580	1,536,800
Exercise of options	–	(12,891)
Repurchase of common shares – adjustment to average cost	745,251	–
	$ 4,135,569	$ 2,062,738

e) Basic and diluted loss per share:

DECEMBER 31	2007			2006		
	NET LOSS	SHARES	PER SHARE AMOUNT	NET LOSS	SHARES	PER SHARE AMOUNT
Basic and diluted loss per share	$(5,341,512)	22,533,392	$ (0.24)	$(11,982,248)	9,605,729	$ (1.25)
Dilutive effect of:						
Stock option conversions		–			–	
Performance warrant conversions		–			–	
	$(5,341,512)	22,533,392	$ (0.24)	$(11,982,248)	9,605,729	$ (1.25)
Securities excluded from diluted loss per share as the effect would be anti-dilutive		5,383,428			7,215,000	

13. Share Capital (continued):

Per share amounts have been calculated taking into account the consolidation of shares which occurred on July 12 at a ratio of one Class A common share for each four common shares outstanding (1:4). Following the consolidation the Company had 22,671,930 Class A common shares and 5,653,531 Class B common shares outstanding. At December 31, 2007 438,200 shares had been repurchased from the TSX Venture Exchange and 500,000 have been converted from Class A to Class B leaving the Company with 21,733,730 class A shares available for trading and 6,153,531 Class B shares.

f) Warrants:

As part of the $63 million long-term credit facility entered into in January 2007, approximately 12.1 million common share purchase warrants were issued by the Company to the lender, exercisable into common shares of the Company at a price of $0.825 per share, expiring in January 2010. The Company agreed to redeem any unexercised warrants that remain outstanding on the warrant expiry date at a price of $0.10 per warrant. In July 2007 the Company consolidated both class A and class B shares by issuing one (1) share for every four (4) outstanding. The warrants were consolidated as well, resulting in 3,030,303 common share purchase warrants exercisable into common shares at a price of $3.30 per share, with any unexercised warrants at the warrant expiry date to be redeemed at $0.40 per warrant. A fair market value of $2,412,121 has been estimated for these warrants based on the Black-Scholes model.

14. Income Taxes:

a) The provision for income taxes differs from the amount obtained by applying the combined Federal and Provincial income tax rate of 32.12% to the loss before income taxes. The difference relates to the following items:

	2007	2006
Statutory rate	32.12%	32.50%
Income taxes (recovery) at statutory rate	$ (2,371,724)	$ (4,052,029)
Increase (decrease) in income taxes resulting from:		
Non-deductible expenses	24,640	53,378
Stock compensation expense	426,419	499,460
Accretion of warrants	200,459	–
Goodwill impairment	–	3,376,257
Tax rate changes	(691,230)	(355,545)
Other	–	(7,054)
Valuation allowance	369,000	–
	$ (2,042,436)	$ (485,533)

14. Income Taxes (continued):

Significant components of the Company's future income tax assets and liabilities at period end are as follows:

	2007	2006
Operating losses	$ 5,850,221	$ 2,009,072
Share issue and deferred financing costs	621,872	555,855
Property and equipment	(5,610,455)	(4,476,095)
Goodwill	83,739	138,811
Intangible assets	(576,377)	(719,743)
	369,000	(2,492,100)
Valuation allowance	(369,000)	–
	$ –	$ (2,492,100)

b) The operating losses included in the future income tax assets are available for carry-forward for tax purposes to apply against future taxable income until 2015 when unused portions of the balance will begin to expire.

15. Commitments:

As at December 31, 2007, the Company is committed for an estimated $4.5M upon completion and delivery of equipment in various stages of construction expected no later than the end of the first quarter of 2008. The Company is also committed to rent for office, yard space, operating vehicle lease payments and operating lease costs on office equipment through to 2012 as follows:

	2008	2009	2010	2011	2012 AND BEYOND	TOTAL
Long-term debt	$ –	$ –	$ 33,200,000	$ –	$ 24,500	$ 33,224,500
Rent	860,506	860,506	692,852	145,619	34,540	2,594,023
Other operating leases	43,687	–	–	–	–	43,687
Capital obligations	4,500,000	–	–	–	–	4,500,000
Total obligations	$5,404,193	$ 860,506	$ 33,892,852	$ 145,619	$ 59,040	$ 40,362,210

16. Related Party Transactions:

The Company entered into various related party transactions in the regular course of operations and through acquisitions. Transactions with related parties are recorded at fair market value determined by the contracts.

	2007	2006
Purchases of capital equipment	7,976,516	27,123,326
Amounts in accounts payable	9,005	92,005
Amounts in operating expense	32,658	–
Amounts in rent expense	228,000	179,000
Amounts in other general and administrative expenses	36,000	16,000
Amounts in long-term debt	–	309,326

Purchases of capital equipment were from a supplier controlled by a director of the Company. At December 31, 2007 this company was no longer controlled by the director. Amounts in rent expense include rental of property from a director of the Company, and rental of a property from an ownership group that includes employees of the Company. All other related party purchases were with companies controlled by employees of the Company.

17. Financial Instruments:

a) Fair value of financial assets and liabilities:

The Company's financial instruments recognized on the balance sheet include cash, restricted cash, accounts receivable, accounts payable and accrued liabilities and shareholders loans. The fair value of these instruments approximates their carrying amount fair value due to their short-term nature. The fair value of long-term debt approximates its carrying value as stated interest rates reflect current borrowing rates available to the Company.

b) Credit risk:

The Company's policy is to enter into agreements with customers that are well-established and well-financed within the oil and gas industry reducing credit risk. There is always a risk relating to the financial stability of customers and their ability to pay. Management will continue to periodically asses the credit worthiness of all its customers and views the credit risk on its accounts receivable as normal for its industry.

c) Interest rate risk:

The Company manages its exposure to interest rate fluctuations through the issuance of a combination of variable and fixed rate borrowings.

18. Changes in Non-cash Working Capital:

The changes in non-cash working capital are as follows:

	2007	2006
Accounts receivable	$ 2,565,473	$ (3,652,926)
Inventory	52,430	(1,158,748)
Prepaids and deposits	18,316	100,469
Income taxes receivable	525,927	(1,665,508)
Current portion of shareholder loans	(200,657)	–
Accounts payable and accrued liabilities	1,015,906	(982,196)
	$ 3,977,395	$ (7,358,909)

19. Contingencies:

The Company is sometimes named as a defendant in litigation. The nature of these claims is usually related to personal injury, labour issues or completed operations. The Company maintains insurance that management deems sufficient for such matters. The Company currently is defending one such claim that was acquired with one of the acquisitions in 2006. The Company is indemnified from losses relating to this particular claim through the purchase agreement.

20. Segmented Information:

The Company operates in two primary segments within the service industry in Western Canada: well servicing and other oilfield services. The well servicing segment provides well services through the use of service rigs and coil tubing units. The other oilfield services segment provides snubbing, nitrogen, production testing and equipment rentals, primarily providing support services to the well service business.

The accounting policies of the segments are the same as those described in note 4, significant accounting policies. The Company evaluates performance on net income before taxes. Inter-segment sales are recorded at current market prices and eliminated upon consolidation.

The reportable segments are distinct operations as they offer complementary services to the well service business. Once a service rig is on site, the other services are typically onsite at various times supporting the rig activity. However, these services can be sold independently of the well servicing. They are managed separately as the businesses were acquired as a unit and the Company has retained the management of each acquired company.

20. Segmented Information (continued):

The amounts related to each industry segment are as follows:

DECEMBER 31, 2007	WELL SERVICING	OTHER OILFIELD SERVICES	CORPORATE	TOTAL
Revenue	30,229,203	17,121,577	–	47,350,780
Interest expense	–	–	5,374,958	5,374,958
Depreciation and amortization	6,008,880	3,360,440	219,015	9,588,335
Income (loss) before income taxes	3,251,101	(1,219,178)	(9,415,871)	(7,383,948)
Income taxes	–	–	(2,042,436)	(2,042,436)
Net income (loss)	3,251,101	(1,219,178)	(7,373,435)	(5,341,512)
Property and equipment (net of depreciation)	75,675,517	22,019,288	803,100	98,497,905
Intangibles (net of amortization)	–	4,570,792	–	4,570,792
Capital expenditures	32,892,638	4,032,067	127,116	37,051,821

DECEMBER 31, 2006	WELL SERVICING	OTHER OILFIELD SERVICES	CORPORATE	TOTAL
Revenue	23,257,108	16,540,217	–	39,797,325
Interest expense	–	–	2,645,780	2,645,780
Impairment of goodwill	519,183	10,388,484	-	10,907,667
Depreciation and amortization	4,107,276	2,017,415	1,148,618	7,273,309
Income (loss) before income taxes	3,450,868	(8,710,495)	(7,208,154)	(12,467,781)
Income taxes	–	–	(485,533)	(485,533)
Net income (loss)	3,450,868	(8,710,495)	(6,722,621)	(11,982,248)
Property and equipment (net of depreciation)	48,479,291	21,150,596	894,998	70,524,885
Intangibles (net of amortization)	–	5,173,768	–	5,173,768
Capital expenditures*	32,869,585	7,708,933	389,019	40,967,537

** excludes property and equipment acquired on business acquisition*

21. Subsequent Event:

a) Asset acquisition:

On January 7, 2008 the Company purchased all of the assets and business of the service rig division of Wellco Energy Services Partnership for cash consideration of $11,310,000, which was drawn from the Company's $63,000,000 revolving credit facility. The acquisition adds nine service rigs and related equipment to the Company's well servicing segment.

b) Operating line of credit:

The Company has negotiated a $3 million revolving line of credit. The Company expects to have a signed credit agreement in place during the first quarter of 2008.

c) Share conversion:

On January 22, 2008 Tricap Partners converted 250,000 class A common shares to class B common shares in order to maintain a percentage of ownership below 49.5% as the Company continues to acquire its own shares in the open market.

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